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**SOUTHERN BELL REACHES AGREEMENT WITH STATEWIDE PROSECUTOR; \$15.2 MILLION
DISTRIBUTED TO CUSTOMERS**
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TEXT:

SOUTHERN BELL REACHES AGREEMENT WITH STATEWIDE PROSECUTOR;
15.2 MILLION DISTRIBUTED TO CUSTOMERS

MIAMI, Oct. 9 /PRNewswire/ -- Today a settlement was announced in the statewide Grand Jury investigation into Southern Bell's sales and repair activities. The settlement is a compromise of disputed claims. The incidents that prompted the investigation occurred more than two years ago.

"This agreement is in the best interest of our customers and Southern Bell," said Joe Lacher, president of Southern Bell-Florida. "I hope our customers are reassured by the grand jury specifically recognizing Southern Bell's responsible attitude in correcting past sales practices and trouble reporting. This ends a long period of review of our past billing procedures. The agreement comes along at the right time because our customers need our full attention now more than ever, especially in the aftermath of Hurricane Andrew."

The settlement noted that Southern Bell had strengthened its internal ethics program and will provide refunds or credits to customers. The total cost of the agreement is approximately \$16.6 million. A three-year review process is also part of the settlement. Southern Bell will distribute approximately \$10.5 million to certain customers who did not respond to letters from the company concerning its network sales program of 1989. Three million dollars will be used to settle trouble reporting issues and \$1.68 million will go to customers who had other billing discrepancies. No customer action is required to receive the credits or refunds.

Lacher said he was disappointed with parts of the Grand Jury report.

"Sections of the report are distressing since they completely fail to grasp the commitment we have to our customers, who are the lifeblood of our business.

"Having worked hand in hand with the 17,000 men and women of Southern Bell, I know that their primary concern is in seeing that our customers are treated fairly. Conduct to the contrary is not tolerated. I believe in the integrity of our people and I am proud of their record of service. It would be a shame if the misconduct of a few former employees overshadowed the great track record of the entire Southern Bell family," Lacher said.

The report concludes an 18-month Grand Jury investigation which resulted in the settlement agreement. No new information is contained in this report.

"This report is old news. Over two years ago we found the problem in our sales and repair programs. We investigated them and we corrected them. On our own, we're already implementing all of the proposed changes to our operations," said Lacher.

In its report the Grand Jury also commented upon Florida's regulatory procedures. However, it noted it "did not have an opportunity to fully investigate this issue...and lacked the scope and expertise to make definite recommendations." Lacher indicated he would welcome efforts to improve the regulatory process but suggested any such changes be carefully considered.

ADDITIONAL INFORMATION

Approximately 3.8 percent of customers will receive refunds as a result of sales and other billing discrepancies.

More Detail:

Network Sales Program -- 141,867 customers affected
\$10,500,000 refunded -- each refund
\$74.01
Reconciliation Program -- 2,816 customers affected
\$1,677,000 refunded -- average refund
\$595.52 (amounts are large because they
are based on overbilling which may have
occurred over several years)

Out of approximately 30 million trouble reports recorded in the past six-and-one-half years, Southern Bell is providing credits in all cases where the trouble reports was not closed within 24 hours and a refund was not already given. Most of these trouble reports were for problems that would not normally result in a refund (such as noisy line). However, in case any were miscoded, each will receive a credit. Only three percent of the trouble tickets for the past six-and-one-half years fall in this category.

More Detail:

Repair Trouble Reports -- approx. 806,000 trouble reports --

(difficult to estimate customers because
one customer might have several trouble
reports)
\$3,000,000 refunded -- each credit \$3.73

(amounts are small because they are based
on problems which may have lasted for
only one or a few days)

NETWORK SALE BACKGROUNDER

In March 1990, Southern Bell's Customer Service office in Brooksville, Fla. received several **phone** calls from customers who complained about an additional \$1 charge on their bills for the trouble isolation plan. The customers stated that they never ordered the plan which is essentially a service agreement which was added to the inside wire maintenance plan. In response to the call, the Southern Bell supervisor began a small scale investigation into the problem and several days later, escalated the complaint to the Customer Service office in Orlando. A month after the original complaint was received, it was determined that there were irregularities with the orders and the case was turned over to the Security Department. The investigation took place during the summer and fall of 1990.

In mid-1990, initial contacts were made with the Florida Public Service Commission, the Florida Attorney General's office and the U.S. Attorney for the Middle District of Florida. Periodic contacts were made after the first meeting to apprise them of any developments.

The investigation by the Security Department revealed that a few Southern Bell employees were involved in adding a \$1 charge to customers' bills by adding the trouble isolation plan without customer authorization. It is thought that the employees were seeking good job performance ratings, added recognition and prizes (such as TVs, VCRs and vacation trips). The prizes were conceived as a motivation to increase sales. The employees seemed to select customers on a random basis. In most cases the customers were selected if they had the inside wire plan. The Southern Bell employees then added the trouble isolation plan which cost an extra \$1 per customer.

The employees which Southern Bell Security identified as directly involved in this action, were all from the Network Department. They were taking part in a non-contact sales program, designed to generate sales leads by cold calling customers.

Shortly after these irregularities were confirmed, the non-contact sales program was discontinued by the state president.

In October 1990, several employees were dismissed for their part in the incident. The company developed a plan to identify all customers who received optional services from the employees directly involved. The plan called for refunds for any unauthorized services added to their bills.

Notices and subsequent refunds were sent to all customers who had

received services through employees identified as being directly involved in the unauthorized sales campaign.

A news release was then sent to the media via the PR Newswire and the Business Wire in Miami.

Copies of the release were faxed to the Palm Beach Post and the Miami Herald's office in Broward County. The release briefed reporters about the dismissals and estimated that about \$600,000 would be refunded to nearly 40,000 customers. Refunds would range from \$7 to \$35. The media was told that affected customers would be contacted. Anyone having a concern was given an 1-800 number to call.

A few days later, the Florida Public Service Commission staff sought a \$50,000 show cause order against Southern Bell based on the unauthorized sales incident. Instead of scheduling a show cause hearing, the PSC said it would launch an investigation into the matter to "ensure the company has resolved its internal problems."

In August 1991, Southern Bell sent out notices to all customers who received optional services through the non-contact sales program.

REPAIR INDICES OVER 24 HOURS BACKGROUNDER

This inquiry was prompted when two Southern Bell employees were dismissed after an internal operations review detected they were falsifying repair indices. Three months after these dismissals, Southern Bell Legal Department launched a full-scale statewide investigation.

Later that month, two ex-Southern Bell employees gave statements to the Office of Public Counsel that falsifying repair indices was common at Southern Bell and had been occurring since before Divestiture. Another ex-employee giving a similar statement, approached PSC attorneys. One of the employees who made the statements was dismissed in connection with falsifying repair indices, another lost his job due to his direct involvement with the inside wire sales issue and the third was released from Southern Bell when medical benefits expired.

On Feb. 18, 1991, the Florida Office of Public Counsel (OPC) filed a petition to initiate an investigation with the Florida Public Service Commission (FPSC) to determine whether Southern Bell employees had been falsifying information which affected compliance with Commission Rules.

The petition alleged Southern Bell violated two rules.

The first rule states that each telephone utility shall conduct its operations in such a manner to ensure that in each exchange 95 percent of all interruptions in telephone service occurring in any calendar month shall be cleared and service restored within 24 hours (Sundays and holidays exempted) after the trouble is reported to the company. Interruptions caused by emergency situations, unavoidable casualties, subscriber-owned equipment or acts of God are exempt.

The second rule states that each company shall make the appropriate adjustments or refunds where the subscribers' service is **interrupted** in excess of 24 **hours** after the company is notified of the problem. If an interruption occurs due to a willful act or subscriber's negligence, the rule does not apply. The **refund** is a pro rata portion of the month's **charge**, depending on the number of days **service** is out.

At the next scheduled agenda conference, the FPSC approved an OPC request to investigate these charges.

On March 25, 1991, three current Southern Bell employees are deposed by OPC. The media were notified and attended the depositions. John Sainz said he never falsified repair tickets but he had heard it was going on. Jerry Sontag, who worked for Southern Bell or AT&T for more than 22 years, testifies that adjusting repair records and changing the classifications of repair jobs is an accepted way of handling situations, so supervisors would meet company goals. The third witness, Florida Green, testifies that she has no knowledge of **record** falsifications.

It is also revealed, about this **time**, three agencies joined in the investigation. The Florida Department of Law Enforcement, The Attorney General's Office and the Statewide Prosecutor were officially investigating the matter jointly.

On April 20, the FPSC staff recommends a \$96,000 fine against Southern Bell for not refunding money to its customers in Florida for

repair outages over 24 hours. The OPC also asks for an investigation to be launched into the company's handling of trouble calls and alleged failures to issue rebates when telephones are out for more than 24 hours.

On April 30, the FPSC decides not to fine Southern Bell, but agrees to launch an investigation into the matter.

On June 11, a settlement is reached between the FPSC and Southern Bell to pay a \$40,000 fine for allegations that some customers had to wait on the **phone** more than 20 seconds before reaching a repair clerk for repair problems. The investigation continues into the refund issue.

In October of 1991, it is learned that a statewide grand jury, meeting in Orlando, was hearing testimony from ex-Southern Bell employees about the repair indices issue.

On April 21, the Public Service Commission ordered Southern Bell to respond to a discovery motion filed by the Office of Public Counsel. The motion asked Southern Bell to divulge names of employees who have knowledge of the reporting of repair completion times. This has now been appealed to the Florida Supreme Court.

RECONCILIATION BACKGROUNDER

Reconciling or comparing company data bases is done to correct the data bases. "Bash" is computer slang for the same exercise. In order to correct our data bases, such a computerized comparison of our central office data base was made with our billing records. Two kinds of errors were found:

1) features were working on lines which customers were not paying for and,

2) features were being billed that were not working.

The corrections procedures was straightforward. When customers were receiving services they weren't paying for, we called them and asked if they wanted and were willing to pay for the feature. If they agreed, we started billing them for the service on a going forward basis. If they didn't want the service, we stopped the feature from working. In any event, these customers were not back-billed.

If the customer was being billed and the feature wasn't working, the service representative called the customer to find out if the feature was suppose to be on the line. If it was, the feature was activated and a credit given for the out of service period. If the service was not suppose to be on the line, the customer should have received a 100 percent credit for the amount they had been billed for this feature.

Unfortunately, due to limitations in our systems, representatives in some cases, and contrary to company policy, offered, and the customer accepted, only a six-month or one-year adjustment. When Southern Bell learned of the six-month and one-year adjustments, corrections were made and every customer was given the correct adjustment with interest. Less than 3,000 customers received a partial adjustment. All accounts have been identified and corrections have been made.

CHRONOLOGY OF MAJOR EVENTS IN FLORIDA

1990

June	Several customers call Customer Services in Brooksville, Fla., to complain about being billed for services they didn't order. Supervisors begin an investigation. Customer Services managers refer their findings to Southern Bell's Security Dept.
June -	Southern Bell Security, under direction of Legal November Department, conducts an investigation into the non-contact sales program utilized by the Network Department in Florida to generate new sales leads. In November, several employees were dismissed and others were asked to return sales bonus prizes they had won from the non-contract sales program.
November	
2	Southern Bell reviews repair records procedures and some employees dismissed.
21	News releases are sent to the media about the inside

wire sales incident.

December
5 Notices are sent to customers who were sold services by the employees who were dismissed. The notices offer to refund money for services they've received and ask whether the customers wish to continue receiving the services.

1991
January
2 The FPSC approves a Public Counsel request to begin an investigation into the inside wire sales issue.

February
18 The Office of Public Counsel (OPC) asks the FPSC to investigate allegations that Southern Bell falsified maintenance records.

March
7 The Florida Attorney General's (AG) office joins the FPSC in investigating the unauthorized sales issue.
24 Florida Department of Law Enforcement and the Statewide Prosecutor join the FPSC, OPC and AG to investigate both the unauthorized sales and repair indices issues.
30 FPSC begins investigation of Southern Bell repair records.

July
28 Notices are sent to about 150,000 customers, who received optional services through non-contact sales. The customers are asked to check their bills for services they did not order.

1992
January-
July Negotiations take place between the Florida Attorney General, his staff and attorneys for Southern Bell.

July
13 The Florida Attorney General holds a news conference accusing Southern Bell of unauthorized sales and announces his inclusion in a 3-year-old civil law suit.

October
8 The Statewide Prosecutor, the Grand Jury and Southern Bell reached a settlement in the network sales, repair trouble reports and reconciliation investigation. Total cost of settlement is \$16.6 with \$15.2 million of that amount going to customers.

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COMPANY NAMES: Southern Bell Telephone and Telegraph Co.--Cases
INDUSTRY CODES/NAMES: BUS Business, General
DESCRIPTORS: Telecommunications industry--Cases; Telecommunications equipment industry--Cases
SIC CODES: 4813 Telephone communications, exc. radio; 4800
COMMUNICATION; 3661 Telephone and telegraph apparatus
FILE SEGMENT: NW File 649

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